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Latin America Review

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4 January 1985

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ALA LAR 85-001
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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis,

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Articles

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Mexico: Preparing for Elections

In July 1985 Mexico will hold elections for all seats in the national Chamber of Deputies, seven governorships, and numerous mayoralties.¹ The elections could represent the single greatest political challenge President de la Madrid will face during his six-year term and may have major implications for the 1988 presidential race. Because of the importance of the contests, the ruling party and opposition forces already are actively preparing for a difficult campaign. Tensions are running high and almost certainly will lead to scattered violence before the election period ends.

Background

For the past 55 years, the ruling Institutional Revolutionary Party (PRI) has controlled the vast majority of elected offices at all levels of government, frequently employing electoral fraud when necessary. It has also dominated peasant and labor organizations as well as the police and military. During this period, the party has never lost the presidency or a governorship. Consistent with this tradition, de la Madrid, who was elected in July 1982 and assumed office five months later, officially received over 74 percent of the total vote.

Nonetheless, the ruling party suffered unprecedented losses in municipal contests in the north in 1982 and 1983. In 1983, the center-right National Action Party (PAN) won mayoral races in Durango and Chihuahua, both capitals of northern states. PAN candidates also captured the Texas border city of

Ciudad Juarez and seven other cities in Chihuahua state, where small leftist parties also gained control of three towns.

The opposition victories in Durango and Chihuahua lent credibility to de la Madrid's pledge before assuming office to conduct honest elections. He may subsequently have resolved not to allow such losses to be repeated, however, because PRI victories later in 1983 in the states of Baja California and Puebla were accompanied by widespread fraud, according to the US Embassy. The ruling party's return to such conventional tactics also helped it sweep a number of municipal and state legislative contests in 1984.

This year the PRI will face particularly difficult gubernatorial challenges in the states of Sonora, Nuevo Leon, Guanajuato, and San Luis Potosi. Opposition parties currently control city administrations in the state capitals of three of the four, and we expect the race in Sonora to be especially hard fought.

the PRI has identified 18 states in which there are one or more districts in which it is likely to face stiff competition.²

² They are Baja California, Coahuila, Chiapas, Chihuahua, Durango, Guanajuato, Guerrero, Jalisco, Mexico State, Michoacan, Nuevo Leon, Oaxaca, Puebla, San Luis Potosi, Sinaloa, Sonora, Tamaulipas, and Yucatan, as well as the Federal District. the PRI expects to face a significant challenge in 86 of the 300 districts it will contest.

¹ Gubernatorial races will occur in Campeche, Colima, Guanajuato, Nuevo Leon, San Luis Potosi, Sonora, and Queretaro.

The Mexican Electoral System

Mexican presidents are elected for six-year terms on the basis of popular vote. In 1982, de la Madrid shared the presidential ballot with six other candidates. He received 16.75 million votes, representing 74.3 percent of those cast, according to the official tabulation. PAN's candidate, Pablo Emilio Medero, finished second with 3.7 million votes, or 16.4 percent of the total. The Unified Socialist Party candidate, Martinez Verdugo, placed third with 822,000 votes, or 3.7 percent.

The Mexican Congress is composed of two houses, a Senate with 64 members and the 400-member Chamber of Deputies. Senators are elected for six-year terms and all 64 now belong to the PRI. Deputies serve for three-year terms. Of the 400 deputies, 300 are selected by majority vote in single-member constituencies. The PRI holds 299 of these seats, and the PAN, one. Under a 1977 reform, another 100 seats are reserved for opposition parties and are filled on a proportional basis. The reform providing for such minority representation was intended to provide opposition parties incentives to work within the political system, to foster greater voter interest, and to add to the appearance of a democratic political system. The 100 seats currently are divided among the following parties:

National Action Party	50
Unified Socialist Party of Mexico	17
Mexican Democratic Party	12
Socialist Workers' Party	11
Popular Socialist Party	10

Despite the PRI's unprecedented losses in the north in 1983, it still won 98 percent of all elected positions filled nationwide in that year, according to press reports. Moreover, opposition parties managed to run candidates for only one-third of all offices that might have been contested.

Under Mexican law the country's Federal Elections Commission provides registered political parties with resources to conduct their campaigns, including vehicles, posters, wall space, and media time. The law stipulates, however, that parties can lose their registration and subsidies if they do not poll at least 1.5 percent of the vote nationwide.

Significance of the 1985 Races

Party Popularity. This year's elections are particularly important because they come at a time when, as press reports suggest, the ruling party's prestige and credibility are at an alltime low. The outcome of the elections could further weaken the PRI, if the party sustains major defeats or wins only through blatant cheating. At a minimum, the party will want to make a strong showing to demonstrate that it is not losing its traditional broad base of public support.

support for the PRI is softening. According to the US Embassy, a prominent PRI politician who recently sponsored a public opinion poll determined that nationwide approximately 65 percent of eligible voters favor the PRI. When nonvoters were included, only 45 percent of the voting-age population supported the ruling party. we know that opposition to the PRI is strongest in the north, which is more conservative and enjoys a higher standard of living than the rest of the country.

De la Madrid's Performance. The elections, which will occur close to the midpoint in the presidential term, will serve as a measure of public confidence in de la Madrid's leadership. According to a Mexican Government official who spoke with US Embassy officers, the President is concerned about his popularity and wants the PRI to do at least as well in the coming elections as it has in past midterm races. Other party leaders, notably candidates for governor, will use the contest to advance their political careers and possible presidential aspirations.

The elections will also demonstrate the degree to which de la Madrid is willing or able to work to democratize the political system and foster "moral renovation," both of which were prominent themes in his 1982 presidential campaign. De la Madrid came into office promising to strengthen Mexico's multiparty system and to promote political and social renewal. Yet the PRI could tarnish its image and discredit the President's reform efforts if it resorts to obvious fraud to win important contests.

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The Opposition Challenge. At the same time, the elections will test the strength of the opposition. The PAN, although small and posing little threat to the PRI in most areas of the country, is the most active and best organized of the minority parties. It has a large following among the middle classes in northern Mexico and is becoming more active elsewhere in the country. We believe, based on Embassy reporting, that the PAN at present would have an even chance of winning gubernatorial races in the northern states of Sonora and Nuevo Leon if the conduct of voting was completely honest.³ []

The elections also will provide insights into the future of Mexico's weak and divided leftist parties, which in recent years have won the votes of only a small but vocal minority of Mexicans. The largest and most active, the Unified Socialist Party of Mexico, was formed in 1981 when the now-defunct Mexican Communist Party joined with four smaller parties in an attempt to pool their resources and votes. Personality, ideological, and tactical conflicts have since rocked the coalition, which draws its greatest support from Mexicans in the capital and areas of southern and central Mexico. Party activists include many university instructors and students, as well as some members of leftist labor unions. []

Efforts by the Unified Socialists to expand their coalition to embrace yet other leftist parties have failed. Nonetheless, the Trotskyite Revolutionary Workers' Party has agreed to contest the coming elections on a common platform. In addition, we expect, based on Embassy reporting, that various leftist groups in the north will make common cause with the PRI in an effort to prevent new inroads by the more conservative PAN. []

The Issues

Party loyalty and personality traditionally have been the principal factors influencing voter behavior in Mexico, but some key issues such as economic performance and corruption will be featured during the campaign and could make a difference in some of the closer contests. De la Madrid came into office at a

time of unprecedented economic crisis. Since assuming the presidency, he has adopted belt-tightening policies that have reduced the purchasing power of most Mexicans by a third over the past two years, according to the US Embassy. Opposition parties will try to exploit dissatisfaction with inflation, unemployment, and declining living standards. De la Madrid, for his part, will assert that many of the country's economic difficulties stem from global conditions and that, in any case, his policies are beginning to bring recovery. Mexico is likely to realize 2- to 3-percent growth in GDP this year following a 6-percent plunge in 1983. The outlook for 1985 is for continued recovery, although the rate of inflation and public-sector deficit probably will exceed government targets by a considerable margin []

Opposition parties will charge that de la Madrid's much-vaunted "moral renovation" campaign is empty rhetoric and that the PRI has made little headway in combating corruption.⁴ PRI officials will respond that dozens of former government officials have been arrested and that blatant mismanagement of the sort that occurred under de la Madrid's predecessor, Lopez Portillo, is a thing of the past. []

PRI leaders will attempt to deflect criticism by reminding voters that the ruling party more than any other embodies the ideals of the Mexican Revolution of 1910-17 and that it represents persons of a range of ideological persuasions. They will also point out that the PRI, since its founding in 1929 by former President Plutarco Elias Calles, has succeeded in curbing the factionalism that arose at the end of the revolution. The PRI will also take credit for the relative stability and considerable economic progress Mexico has experienced in succeeding decades. []

The appeal of PRI and opposition candidates running for office and the effectiveness of their campaigns will have a strong bearing on the choices voters make. The governor's race in Sonora is likely to be hotly contested, for example, in part because the PAN

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candidate, Adalberto Rosas Lopez, is popular and respected. He is also something of a martyr, because the PRI-controlled state legislature filed charges against him for actions he took while mayor of the state's second-largest city, Ciudad Obregon. Rosas, who was sentenced to a 31-month prison term, currently is actively campaigning throughout the state pending the results of an appeal to the Federal Supreme Court. The PRI candidate for governor in Sonora, Rodolfo Felix Valdes, until recently was Minister of Communications and Transport. Although a native Sonoran, Felix has not lived in the state for several decades, a fact that has led many of the state's residents to resent his selection as the PRI standard bearer in the state. [REDACTED]

We expect foreign policy to figure less directly in the campaign than domestic matters. Ruling party officials have sought, however, to discredit the PAN by portraying it as a tool of the United States. PAN leaders, for their part, have attacked the Mexican Government's friendship with Cuba and support for the Marxist Sandinista regime in Nicaragua. As the campaign heats up, PRI officials are likely to make greater use of "anti-Yankee" rhetoric, despite the fact that under de la Madrid bilateral relations are as good as at any time in the past decade. [REDACTED]

Election Tactics

We believe the PRI will use a mix of legal and extralegal tactics in an attempt to make a strong showing in the elections. It will seek to win by respectable means where possible, but in many instances will resort to fraud. The PRI will use the party's superior organizational and financial resources, as well as its control over the media, to good advantage. [REDACTED]

The PRI also plans to use public funds to advance its political ends. US Embassy officers have confirmed that the ruling party intends to lavish public works projects on districts where the PRI expects to face the stiffest competition. It also is timing the projects to have the greatest impact before the elections. [REDACTED]

The government is likely to take account of the elections in formulating national economic policy. We would not be surprised, for example, if de la Madrid announced a substantial boost in the minimum wage a month or two before the elections. Concern over the PRI's electoral prospects recently led Mexican authorities, following two years of relative inactivity, to step up programs designed to improve conditions in rural areas, according to the US Embassy. [REDACTED]

PRI members, particularly at the local level, will use intimidation to influence voters. In some northern communities controlled by PAN administrations, for example, the PRI apparently has acquiesced in efforts of local leftists to disrupt PAN meetings. According to diplomatic reporting, PRI supporters in several northern towns also have informally threatened workers with pay suspensions if they do not vote for PRI candidates. [REDACTED]

It is virtually certain that the PRI will steal some close elections, particularly in the north, where the potential for opposition inroads is greatest. [REDACTED]

[REDACTED] Moreover, the opposition has little chance of reversing election outcomes because PRI loyalists dominate the Federal Elections Commission and all state legislatures, the bodies to which appeals are normally directed. [REDACTED]

Election Prospects

We are confident the PRI will easily win most of next year's contests and remain the dominant political force in the foreseeable future. Nonetheless, it is likely to pad its margin of victory, even in many instances where it would win in the absence of irregularities. The PRI will encounter the toughest competition, and probably will use the most fraud, in urban districts in the north. [REDACTED]

No opposition party has officially won a governorship in the past 55 years, and we are moderately confident

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this record will not be broken in the coming elections.

[REDACTED]

The opposition is likely to pick up fewer than a half dozen seats in the Chamber of Deputies. We have less confidence in this judgment, however, since reliable public opinion polls do not exist and the degree to which the government will recognize opposition victories is uncertain. We believe the PRI will respect opposition victories in local contests only where rival parties have won by wide margins. [REDACTED]

We expect high rates of voter absenteeism. Approximately one-third of eligible voters normally sit out midterm contests. A comparable fraction will probably stay home in July, despite PRI efforts to get out the vote. [REDACTED]

Opposition parties are likely to charge the PRI with a variety of electoral irregularities, even before the official results are announced a week after the elections. If large numbers of voters do not consider the results valid, they almost certainly will organize demonstrations and occupy townhalls. Some even may engage in short-lived hunger strikes, but such activities are likely to be of no avail. [REDACTED]

There is also a strong possibility of clashes of partisan supporters in the north, in our judgment. According to the US Embassy, PAN leader Pablo Emilio Madero publicly stated last October there almost certainly will be violence in Sonora if fair elections are not held there. Election-related strife already has occurred in Nuevo Leon, where last November a group described by the local press as "PRI thugs" attacked supporters of the PAN candidate for governor. Moreover, in December, according to press and Embassy reports, 2,000 PRI and PAN supporters battled with sticks, stones, tear gas, and Molotov cocktails in a town in Coahuila after both claimed victory in municipal elections. [REDACTED]

We anticipate that the violence related to elections will be scattered, disorganized, and without strong leadership. Nonetheless, there is a remote possibility that unrest will be sufficiently widespread in the north to tax severely the resources of local security forces and the Army. In addition, the fact that all the major contests will occur simultaneously on 1 July could complicate the government's efforts to deal with large-scale protest demonstrations or violence occurring at the same time in several areas of the north. [REDACTED]

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Argentina: Military Aircraft Industry Struggles Toward Self-Sufficiency [REDACTED]

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Argentina's modest military aircraft industry faces serious problems, but it continues striving to expand its manufacturing activities and to become a respected supplier of aircraft on the world market. The industry, centered at the government-owned company Fabrica Militar de Aviones (FMA) in Cordoba, currently is concentrating on the production of two aircraft—a ground attack aircraft and a jet trainer. A major objective for the future is production of a jet fighter by the early 1990s. [REDACTED]

The Industry's Problems

Sharp budget cuts, imposed by President Alfonsin as part of his overall financial austerity program, are causing delays in FMA's current and planned production programs. For example, the government has cut the budget for one of FMA's main programs—the development and production of the IA-63 Pampa jet trainer—by more than 50 percent. [REDACTED] employee dissatisfaction stemming from budget cuts has led to work stoppages at FMA and has complicated efforts to attract and retain needed technical personnel. [REDACTED]

FMA faces other difficulties as well. Argentina lacks key aircraft technologies—such as that needed for the manufacture of jet engines. Moreover, Argentines with the necessary training and expertise are few, and many of these are lured away by other industries at home and abroad. [REDACTED]

Argentina also has had trouble finding foreign customers for its aircraft. Promotional efforts have been badly organized, in our judgment, and [REDACTED]

[REDACTED] budget problems have been forcing the Argentines to forgo participation in most international aircraft shows, an important means of attracting buyers. In addition, the country's financial bind makes it difficult to offer attractive credit terms to prospective Third World buyers. Argentine proposals for alternative financing arrangements, such as barter agreements, have not prospered. [REDACTED]

Efforts To Cope

The Alfonsin government and FMA have been trying to overcome these difficulties. They are intensifying efforts to find foreign buyers, recognizing that such sales would help offset budget cuts. FMA has recently given exclusive marketing and distribution rights to an Argentine company that has launched a major campaign directed at potential customers in Africa, Latin America, and the Middle East. The company probably can mount a respectable promotional effort, in our view, but Argentina will still have difficulty in offering competitive credit terms. [REDACTED]

FMA is also trying to widen its use of cooperation agreements with foreign companies as a means of acquiring additional technical expertise and sharing production and development costs. Dornier, a West German company, has been the main partner thus far, and Argentina is seeking to expand this relationship. Other West German firms are also being approached. [REDACTED]

Despite its financial problems, FMA has endeavored to modernize its operations. It has: (1) built new hangars and acquired new milling machines from West Germany, (2) introduced composite material technology for the manufacture of jet aircraft components, (3) purchased an IBM-3000 computer and adopted a new program to apply computer and data processing techniques to all stages of production, and (4) mounted a training program for engineering, sales, and data processing personnel. [REDACTED]

Current Programs

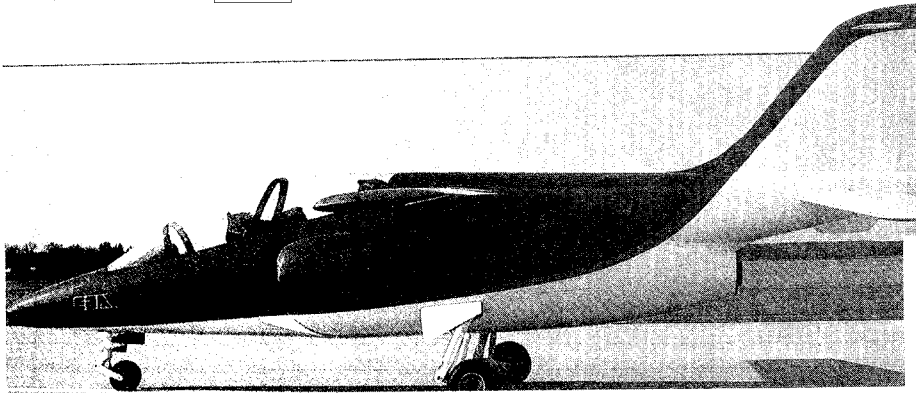
IA-58 Pucara. The Argentine-designed IA-58 Pucara, a twin turboprop light attack aircraft, is the only aircraft in series production at FMA. The initial two-seater version, powered by French Astazou engines, was developed in the late 1970s primarily for use by the Argentine Air Force, which now has approximately 54 of these aircraft in its inventory.

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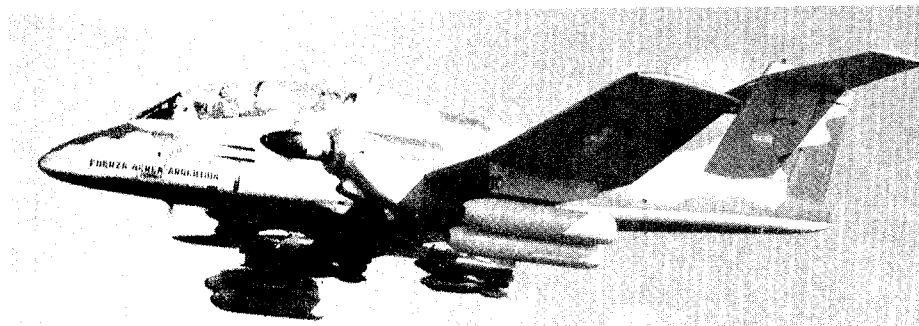
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IA-63/Pampa prototype []



Interavia ©

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IA-58/Pucara twin turboprop
light attack aircraft []

Military Technology ©

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The only foreign customer thus far has been Uruguay, which has purchased six. []

[] an agreement may be reached in the near future. []

During the past few years, FMA has developed several follow-on versions of the IA-58, primarily to overcome speed and range limitations exposed during the Falklands conflict, but also to accelerate export sales. One of these, designated the IA-66, uses the more powerful US-made Garret engine. []

[] a single-seat version has been offered to Paraguay. The Bolivian Air Force is interested in buying Pucarás, but lacks funds; one option reported to be under consideration is a barter agreement involving Bolivian natural gas. Negotiations with Venezuela for purchase of 24 Pucarás have been under way for at least a year and appear stalled. []

[] the recent development of two single-seat IA-58 versions. In one, the Pucara's second seat has been removed to accommodate an additional fuel tank for increased range. In the other version, the aircraft's 20-mm cannon has been replaced with a larger caliber 30-mm cannon. []

IA-63 Pampa. Under a joint cooperation agreement signed in 1980 with the Dornier company, FMA is to produce a ground attack jet trainer using technology from the West German firm. The initial test flight was conducted in October 1984. Three prototypes are to be built for testing; US-built Garret engines for these aircraft have already been delivered. []

Introduction of these variants has sparked some interest on the international market, but no sales have been completed to date. Argentina has negotiated with Iraq for several years, and []

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The IA-63 program has suffered a series of delays stemming from technical problems. For example, the United Kingdom's continuing ban on military equipment sales to Argentina, stemming from the Falklands conflict, is blocking the acquisition of British-produced ejection seats used in the original design. Trade journals report that negotiations are under way with US and French seat producers, but a change will require expensive and time-consuming modifications of the cockpit. [REDACTED]

The Argentine Air Force has ordered 100 IA-63s, but no other customers have been found. [REDACTED]

[REDACTED] FMA hopes to generate enough foreign interest to produce another 200 for delivery in the late 1980s. We believe, however, that the Argentines will have difficulty finding buyers, because of the intense competition the IA-63 faces from Brazilian and other aircraft on the international market. [REDACTED]

Private Programs. Military aircraft are also produced at two private facilities in Argentina, with no government participation. Chincul, an Argentine subsidiary of the US Piper Company, has developed a military trainer called the "Yellow Bird," based on the Piper Cherokee. Production will only begin, however, if prospective buyers are found. RACA, a Hughes Company subsidiary in Argentina, manufactures the Hughes 500 helicopter under license. As of 1982, the company had produced approximately 40 military and 10 civilian helicopters. Export of the military version is subject to US approval. [REDACTED]

Future Programs

FMA hopes to build on its experience in manufacturing the IA-63 to produce a jet fighter by the early 1990s that will use technology from West Germany. Although this program has a high priority, we believe that the aircraft is unlikely to appear before the mid-to-late 1990s in view of the delays in the IA-63 program, the likelihood of continuing budgetary problems, and the industry's other difficulties. [REDACTED]

FMA announced plans for the development of a twin turboprop light transport, designated the ATL, at the 1983 Paris Show. FMA officials believe the ATL

would be an attractive replacement for older aircraft now on the market. It would have both civil and military applications, and FMA would offer special configurations to fit customer needs. FMA is seeking a partner to share production costs. [REDACTED]

Prospects

Defense Minister Borras has publicly avowed that budget cuts will not undermine the aircraft production programs. The government has several important reasons for keeping FMA in operation:

- FMA is the largest employer in Cordoba Province, and closing the facility or sharply curtailing operations would add significantly to unemployment there. 25X1
- Closing or cutting back the Cordoba facility, even temporarily, would mean a loss of hard-to-replace technical personnel to other industries. 25X1
- Loss of this industry would leave Argentina totally dependent on foreign suppliers, a particular sensitivity because of the experience with British and US embargoes during the Falklands conflict. 25X1
- Argentines are strongly nationalistic, and the military aircraft industry is a source of pride. [REDACTED]

Despite the industry's problems, therefore, we expect the Alfonsin government to continue making serious efforts to market the IA-58, to begin series production of the IA-63, and to develop the jet fighter as well as the ATL light transport. We also expect that cooperative efforts with other countries will expand. 25X1

[REDACTED] FMA and Dornier are in the initial stages of establishing a new joint company in which they will share the manufacturing and marketing facets of future programs. This will represent a significant expansion of their relationship since, at present, Dornier provides technology but does not invest any capital. [REDACTED] 25X1

A mixed civilian-military commission is studying the organization of the defense industries and is expected to propose changes. Press reports indicate that the government is considering a separate budget allocation for the defense industries—a step that would insulate FMA from the military budget cuts. [REDACTED] 25X1

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Argentina is likely, in our view, to continue looking primarily to Western nations for the technology it needs to meet its aircraft production goals. Soviet offers of military equipment have met with resistance from Alfonsin's government as well as the military. While we do not expect such attitudes to change, Buenos Aires may point to Moscow's offers in an attempt to put pressure on the United States to release technology. [REDACTED]

[REDACTED]

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Mexico: The Gas Explosion Disaster [REDACTED]

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The explosion on 19 November that ripped through a gas storage facility and an adjacent slum in Mexico City was the worst industrial disaster in Mexican history. As many as 1,500 people may have been killed. Together with the poison gas tragedy in India, the Mexican disaster has focused world attention on the problem of locating dangerous facilities in urban areas, especially in developing countries with inadequate safety standards. [REDACTED]

Mexican authorities have fixed blame for the explosion on the state-owned oil monopoly, Petroleos Mexicanos (PEMEX). Initially, PEMEX blamed one of several privately owned gas distributors in the area, but recanted when it was determined that the private facility closest to the blast site had suffered little damage. [REDACTED] on-site reports corroborate the finding of the Mexican Attorney General that the disaster was caused by a massive gas leak at the PEMEX facility and that it was compounded by lax safety standards. [REDACTED]

The disaster has brought renewed calls for refineries and similar facilities to be relocated away from densely populated areas. The government has responded by taking steps to increase safety measures at PEMEX and by naming a commission to study potential urban disasters. It is unlikely, however, that financially strapped Mexico will spend the estimated \$10 billion that would be required to move potentially dangerous facilities from the capital—where half the country's industry is concentrated. [REDACTED]

Damage Assessment

[REDACTED] the blast leveled the PEMEX operation and destroyed a large residential area, but did little damage to the nearby Unigas storage facility, initially blamed for the explosion.

[REDACTED] the first of a series of blasts probably occurred either at a loading platform or in the storage area of the PEMEX installation. The explosion destroyed four of six large spherical storage

tanks, which reportedly held 420,000 gallons of gas each, and another 48 horizontal storage tanks. About 20 acres of the San Juan Ixhuatepec neighborhood were leveled by the blast and at least 13 additional acres suffered some damage. The privately owned Unigas facility suffered little damage. [REDACTED] 25X1

[REDACTED] the facility is 25X1 probably operational. The PEMEX installation, which provided gas to nearly half the city's 17 million people, was completely destroyed, and we estimate that it will take three to six months to rebuild the facility. [REDACTED] 25X1

Cause of the Blast

Our analysis of the pattern and extent of the damage and reports by survivors of a strong smell of gas before the explosion support the findings of the Mexican Attorney General's office that the cause of the blast was a gas leak at the PEMEX facility. Liquid petroleum gas (LPG) consists of propane and butane, or a mixture of the two, and is stored under pressure as a liquid. The highly volatile liquid would have vaporized if a leak occurred and, being heavier than air, would have flowed toward the low-lying housing area. This suggests that standard safety features, such as gas detectors and alarm systems, were either not in place or not operational. [REDACTED] 25X1

PEMEX officials dismiss charges that lax safety measures were responsible for the blast, but the organization's track record on safety is poor. Examples of problems elsewhere in Mexico over the past few years include: a gasoline explosion in 1982 that killed 52 people and injured 21; the explosion of a large gasoline storage tank in January 1984 with no reported casualties; a pipeline explosion in April that killed 11 people; and a pipeline rupture in June that reportedly killed six. Moreover, press reports indicate that residents of San Juan Ixhuatepec had complained to city officials of a fire at the PEMEX facility itself in March. [REDACTED] 25X1

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Neighborhoods at Risk

The government, in attempting to reduce its responsibility for the disaster, claims that the low-income neighborhood of San Juan Ixhuatepec was established illegally after the construction of the PEMEX facility in the 1960s. The neighborhood, on the northern periphery of Mexico City, is crowded with poorly constructed wooden and concrete block houses, many without indoor water or sewage. Before the explosion some 50,000 residents lived in this area of less than half a square mile. []

Elsewhere in Mexico City, middle-class residential neighborhoods with even greater population densities, up to five times that of San Juan Ixhuatepec, surround other petroleum facilities. The largest of these installations, the 18th of March refinery, is closer to the city center than was the LPG storage facility. The press has cited it as a safety hazard as well as a major source of pollution. A petroleum storage facility is also in operation near the 1968 Olympic Stadium, where surrounding residential neighborhoods may be at risk. []

Although an explosion equivalent in force to that which occurred at San Juan Ixhuatepec is not likely at these types of facilities, an accident could result in sizable blasts and in a fire that would engulf nearby residential areas. This could require large-scale evacuations and cause serious economic disruptions, whether or not they resulted in heavy loss of life. []

Implications

The storage depot must be replaced by PEMEX, and the government has announced that \$20 million will be spent to provide housing for those displaced by the blast. The Attorney General has ordered PEMEX to pay the victims compensation, and \$2.3 million in claims have already been filed. Residents of the devastated area and other cities with dangerous petroleum facilities are pressing the government to relocate these installations away from populated areas. []

The government is now faced with admitting that safety features were lacking at the facility. Future accidents, which are likely given PEMEX's safety record, will keep attention focused on dangerous facilities and PEMEX's failure to implement proper

safeguards. If the government is to improve PEMEX's image, already tarnished by kickback scandals, it will have to take forceful measures to clean up the giant oil monopoly's operations. []

The accident has demonstrated the vulnerability of Mexico's oil and gas installations to sabotage. A terrorist group could wreak havoc by creating similar disasters to disrupt economic activity and discredit the government. We believe that increased security as well as safety precautions may be required by the government—but financial constraints and inefficiency most likely will preclude any rapid improvements. []

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Haiti: Exile Plots and Palace Intrigue [REDACTED]

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Some members of President Duvalier's inner circle may be trying to use concern over recent exile activities to enhance their personal influence. Hardliners in the regime may be using the incident as a pretext for cracking down on regime critics. Behind-the-scenes maneuvering is commonplace among Haiti's political elites and is tolerated, if not encouraged, by the President because he recognizes that the concentration of too much power in the hands of a single individual could jeopardize his own position. [REDACTED]

Although details are sketchy, Haitian officials claim to have successfully foiled another plot by exiles to overthrow the Duvalier regime. According to press reports, some 20 alleged plotters were arrested by security forces in November. Since the arrests, Haitian officials and the government-controlled press have been actively publicizing the plot as a highly sophisticated operation, linking the plotters with the outlawed United Communist Party. Defense Minister Lafontant has accused elements of the Catholic Church of also being involved. [REDACTED]

According to information released by the government, the primary objective of the group was to assassinate the President. Members of his family, as well as some Cabinet officials, also were reportedly targeted. The government has claimed that those arrested carried "guerrilla manuals" and has suggested that more extensive operations were planned. The Haitian press speculates that a boatload of armed exiles stopped by Guadeloupe authorities may have been trying to join the plotters. [REDACTED]

US officials on the scene remain skeptical of Haitian claims. Only a handful of weapons—three Uzi machineguns, an M-14 carbine, and an air pistol—reportedly were confiscated. In addition, the US [REDACTED] the Haitian military was

not placed on alert during the period of the arrests, a marked departure from earlier government reaction to exile scares. Reliable Embassy contacts say many of those arrested have no links to the Communists. As a result, some Embassy personnel even doubt that a coup attempt took place. [REDACTED]

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The byzantine nature of palace politics in Haiti also complicates our understanding of the situation. We believe, based on US Embassy reports, that Defense Minister Lafontant, one of the most senior members of the Cabinet, may have overstated the seriousness of the plot as well as the extent of Communist involvement to bolster his standing with Duvalier. Although Lafontant has been one of the President's closest advisers, [REDACTED]

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[REDACTED] recent rumors circulating in the capital that Lafontant's influence in the Cabinet is waning. [REDACTED]

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Political hardliners, including Lafontant, may also be using the threat of a Communist plot to try to slow the President's political liberalization program. In particular, we believe they may be trying to force Duvalier to delay legislation legalizing the formation of political parties. At the same time, the government, which traditionally has tried to depict itself as a bastion against Communism in the Caribbean, may be using the specter of a Communist threat to persuade the United States to relax pressure for political reforms. US officials also believe that political hardliners, by implicating the church in antigovernment activities, may be trying to sabotage church plans to initiate a literacy campaign, a move many political elites in Haiti regard with suspicion. [REDACTED]

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ALA LAR 85-001
4 January 1985

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Coup plotting by Haitian exile groups is endemic and unlikely to dissipate any time soon. Much would have to change in Haiti, however, before exile activities become a serious problem for Duvalier. Lafontant's success in maintaining his preeminence in the Cabinet is more problematic, although his stock could rise temporarily because of the credit he is receiving for rounding up the plotters. Cabinet shuffles are Duvalier's primary means of keeping the country's political elite dependent on his continued good will; there have been eight realignments in the past 16 months. We believe Duvalier, although probably less astute politically than his father, would not hesitate to remove Lafontant if he believed that the Minister was acquiring too much influence and power.

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Latin America Briefs

Peru

Military Modernization Efforts Continue

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Peru has had some recent success in securing Western financing for arms purchases, but domestic economic constraints are slowing military modernization and limiting efforts to reduce dependence on the Soviet Union for military equipment. The US Embassy says Peru is nearing completion of a \$37.5 million

Selected Peruvian Arms Purchase Plans and Orders

Million US \$

Service	Item	Source	Units	Approximate Cost	Status
Army	Medium-lift helicopters	US	5	37.5	Contract for UH-60 Blackhawks awaiting approval
	Heavy-lift helicopters	US	6	80.0	Unclear; Peruvians have evaluated US CH-7 Chinook and US MI-26
	Medium tank	US, USSR, FRG/Argentina	20-50	107.5	Peruvians interested in M-60 and M-43; more likely to buy Soviet T-72 or FRG/Argentina TAM
	Armored personnel carriers	US, Brazil	230	70.0	Negotiations continuing; considering US M-13 and a Brazilian vehicle
	Observation helicopters	FRG	6	9.0	Modified previous order for 15 West German BO-105 light helicopters
Air Force	Mirage 200 interceptors	France	26	700.00-800.0	Contract signed 1982, modified 1984; downpayment due 30 December
	Medium transports	US, USSR	2	35 (for C-130)	Considering US C-130
	Bell 214ST helicopters	US	6	32.5	Six in country; option to buy six more
	Air defense radar	US, USSR	2	20.0	Unclear
Navy	Upgrade of light cruiser	Netherlands	1	130.0	Contract signed with Dutch, August 1983
	Upgrade of destroyers	Netherlands	7	Unknown—but in excess of 200	No contracts yet signed
	LSTs (used)	US	4	12.0	Purchased from US in August; arrived in Peru late 1984 or early 1983.

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deal with a US company for five Blackhawk helicopters. An \$18 million loan from a US bank will help underwrite the agreement, and Peru will pay the remaining \$19.5 million in goods over a five-year period. [REDACTED]

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[REDACTED] Peru has not yet signed a final agreement with France for the purchase of 26 Mirage 2000 aircraft. [REDACTED]

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[REDACTED] to reduce dependence on Moscow. Peru is increasingly interested in obtaining Western arms because it is dissatisfied with the reliability of Soviet weapon systems and logistic support. Nonetheless, Moscow has been willing to accommodate Peru's financial difficulties by offering generous terms and rescheduling debt payments. This approach, together with the difficulty in obtaining concessionary financing elsewhere, probably will cause Lima to continue over at least the next few years to look to the Soviet Union as its primary arms supplier. [REDACTED]

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